



# **2004 Integrated Energy Policy Report Update**

**Integrated Energy Policy Report Committee:  
Commissioner John L. Geesman, Presiding Member  
Commissioner James D. Boyd, Associate Member**

**Kevin Kennedy, Program Manager  
Sandra Fromm, Assistant Program Manager**



# TODAY'S AGENDA

Receive comments on draft policy document

Written comments to the policy document are due:

***October 13, 2004***



# Energy Report Process

## Senate Bill 1389

### ***Integrated policy development***

- Policy recommendations will be made based on an in depth and integrated analysis of energy issues facing the state. (Pub. Res. Code 25302(b))

### ***Common information base for energy agencies***

- The state's energy agencies will use the information and analyses contained in the report to carry out their energy-related duties. (Pub. Res. Code 25302(f))

### ***Timing***

- A policy report that includes an in depth assessment and forecasts of all energy sectors will be adopted by the Energy Commission every two years, and a supplement to the previous energy report on specific issues will be adopted in the off years.



# 2004 Draft Energy Report

- **Collaboration with state agencies**
- **Numerous meetings with stakeholders**
- **17 public workshops and hearings**
- **200+ public comments docketed**
- **Three staff reports plus appendices**
  - ❖ Resource and Reliability and Environmental Concerns of Aging Power Plant Operations and Retirements
  - ❖ Upgrading California's Electric Transmission System
  - ❖ Accelerated Renewable Energy Development
- **Draft Committee Policy Document**

# AGING POWER PLANTS

## Near-term supply and reliability concerns

### 2003 Energy Report

- Under average weather conditions, California will likely have adequate energy supplies through 2009, but with adverse weather, operating reserve margins in 2006 and beyond could fall below the 7% needed to maintain system reliability.

### 2004 Energy Report Update

- The Aging Power Plant Study noted that as many as 9,000 MW are considered at risk of retiring by 2008.
- If significant numbers of power plants retire between now and 2008, reserve margins could potentially fall below 7%.
- Regional reliability concerns associated with transmission congestion emerged this summer, especially in Southern California.



# AGING POWER PLANTS

## Potential Solutions

**All investor-owned (IOUs) and municipal utilities should work aggressively to attain the 2007 statewide goal of 5% peak demand reduction through *demand response programs*.**

- ❖ The California Public Utilities Commission (CPUC) should approve IOU proposals to modify current tariff design.
- ❖ The CPUC should begin immediate rollout of advanced metering systems for smaller customers and begin developing dynamic rate offerings and load control options.
- ❖ The Energy Commission should work with Department of Water Resources and other water agencies to investigate and pursue cost effective load management and demand response programs.



# AGING POWER PLANTS

## Potential Solutions

**The Energy Commission should work with the Public Utilities Commission to develop a *capacity market*.**

- ❖ The capacity market should include a capacity “tagging” mechanism and tradable capacity rights.
- ❖ California should examine the link between the CA ISO transmission expansion process and local reliability assessment.
- ❖ The Energy Commission should support the pending Pacific Gas & Electric (PG&E) and TURN petition at the CPUC to allow utilities to enter 1-5 year power purchase contracts.
- ❖ The CPUC, the IOUs, and municipal utilities should consider allowing cold standby plants to contribute to reserve margins.



# AGING POWER PLANTS

## *Potential Solutions*

**The Energy Commission, CPUC, and all utilities should *enhance supply management* by:**

- Establishing more closely coordinated planning and reserve sharing among IOU's and municipal utility service areas.
- Pursuing cost effective seasonal exchanges with the Pacific Northwest.
- Exploring opportunities to use existing pumped storage facilities more fully.



# TRANSMISSION

**Short term solutions for these problems should not interfere with long-term goals for our electricity system.**

- Transmission upgrades and expansions are critical to ensuring a robust and reliable electricity delivery system.
- Senate Bill 1565 recently signed into law requires the Energy Commission to adopt a strategic plan for the state's electric transmission grid beginning in the 2005 Energy report process.



# TRANSMISSION

## Principal Recommendations

**The Energy Commission should establish a *comprehensive statewide transmission planning process.***

- The Energy Commission should work with the CPUC, CA ISO, other key state & federal agencies, generation owners, developers, stakeholders, and interested public to develop this planning process.
- This transmission planning system must recognize the long and useful life of transmission assets and their public goods nature.
- Transmission planning must identify transmission corridors well in advance of their need.
- Transmission planning must consider access to renewable energy resources to meet the state's renewable policy goals.



# TRANSMISSION

## Principal Recommendations

### ***The Energy Commission should:***

- Increase its participation in the Joint Transmission Study Group on the Tehachapi Wind Resources Area.
- Work with the CPUC to establish a Joint Transmission Study Group for Imperial County's Known Geothermal Resource Areas.
- Work with the CPUC and Ca ISO to investigate whether changes are needed to the Ca ISO tariff to encourage transmission projects necessary to meet the Renewable Portfolio Standard.



# RENEWABLES

## Principal Recommendations

### ***The state should enact legislation:***

- To codify that all retail suppliers of electricity, including large publicly owned electric utilities meet a 33 % eligible renewable goal by 2020.
- That allows the CPUC to require Southern California Edison (SCE) to purchase at least 1 percent of additional renewable energy per year between 2006 and 2020, reaching 25% by 2010, 30% by 2015, and 35% by 2020.

# RENEWABLES

## Principal Recommendations

### ***The Committee recommends:***

- Wind turbines be repowered to harness wind resources efficiently and prevent bird deaths.
  - ❖ Local permitting agencies should implement methodologies similar to those recommended in the Energy Commission's bird mortality reduction report.
    - Congress recently extended to 2005 the Federal Tax Production Credit, which previously expired in 2003.
- The CPUC should require investor owned utilities to facilitate repowerings in its pending effort to develop renegotiated qualifying facilities (QFs) contracts.

# RENEWABLES

## Principal Recommendations

- The Energy Commission will launch a performance-based photovoltaic (PV) incentive *pilot* program in 2005.
- The Energy Commission should continue to assist the *Governor's Solar Initiative* to achieve greater market penetration of PV systems through a long-term funding program.



# 2004 Energy Report Schedule

## **2004 Update Hearings:**

*September 29 - San Francisco*

*September 30 - San Diego*

*October 1 - Sacramento*

*October 5 - Los Angeles*

*October 8 - Fresno*

**October 13:** *Written comments due*

**October 20:** *The Draft Final Committee Update will report on the State's progress on meeting the 2003 Integrated Energy Policy Report recommendations*

**November 3:** *Energy Commission Business Meeting to consider the Update for adoption*

**Mid-November:** *Governor and Legislature receive report*